

COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION

IN THE MATTER OF: )  
)  
THE VERIFIED JOINT APPLICATION OF )  
THE CITY OF OWENTON )  
AND KENTUCKY-AMERICAN WATER )  
COMPANY FOR APPROVAL OF THE )  
TRANSFER OF THE OWNERSHIP OF )  
WATER AND WASTEWATER-RELATED )  
ASSETS OF THE CITY OF OWENTON )  
TO KENTUCKY- AMERICAN )  
WATER COMPANY )

RECEIVED  
NO. 2005-00206  
JUL 05 2005  
PUBLIC SERVICE  
COMMISSION

JOINT APPLICANTS' RESPONSES TO COMMISSION  
STAFF'S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS

Come the City of Owenton and Kentucky-American Water Company and hereby  
tender the attached responses to the Commission Staff's June 14, 2005 data requests.

Respectfully submitted,

Lindsey W. Ingram, Jr.  
Lindsey W. Ingram III  
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*Counsel for Kentucky-American Water Company*

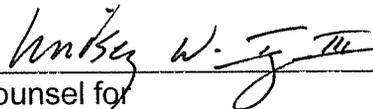
Mark R. Cobb  
P.O. Box 342  
Owenton, Kentucky 40359-0342  
(502) 484-2119  
*Counsel for City of Owenton*

By: *Lindsey W. Ingram III*

CERTIFICATE OF SERVICE AND FILING

This is to certify that the original and eight copies of the foregoing have been filed with the Kentucky Public Service Commission by hand-delivery to the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 and that a true and accurate copy of the foregoing has been served, via U.S. Mail, on this 5th day of July, 2005, upon the following:

Gregory D. Stumbo  
Attorney General  
David Edward Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Suite 200  
Frankfort, Kentucky 40601-8204

  
\_\_\_\_\_  
Counsel for  
Kentucky-American Water Company

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

1. Provide a schedule of Owenton's current rates and rules.

Response:

See Item 1 attachment.

**ORDINANCE NO 650**

**AN ORDINANCE OF THE CITY OF OWENTON,  
KENTUCKY, AMENDING THE RATES AND CHARGES FOR  
THE USE OF AND THE SERVICE RENDERED BY THE  
WATERWORKS AND SEWAGE SYSTEM OF THE CITY OF  
OWENTON.**

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF  
OWENTON, KENTUCKY, AS FOLLOWS:

Section 1 New Monthly Water Rates. That the rates and charges for water service furnished by the City are hereby fixed and established on a monthly basis as follows:

A. Minimum Water Rate The minimum water bill shall be \$16.77 per month for customers located within the City limits and \$22.68 per month for customers outside the City limits, and each water customer shall be entitled to 2,000 gallons (or less) of water in each month for such minimum charge.

B. Meter Rates for Water Usage in Addition to Minimum Charge. Subject to the minimum monthly water rate specified above, the following metered charges shall be made for each 1,000 gallons or less of water consumption per month to customers of all size water connections:

Within the City Limits

NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 CALLONS
First 2, 000 gallons	\$16.77minimum monthly charge
Next 1,000 gallons	6.26
Next 2,000 gallons	5.18
Next 5,000 gallons	4.20
Next 10,000 gallons	3.42
Next 20,000 gallons	3.10
All over 40,000 gallons	3.06

Outside the City Limits

NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 GALLONS
<u>RATE B</u>	
First 6,000 gallons	\$39.35 minimum monthly charge
Next 2,000 gallons	6.04
All over 8,000 gallons	4.55

<u>RATE G</u>	
First 2,000 gallons	\$22.68 minimum monthly charge
Next 2,000 gallons	7.56
All over 4,000 gallons	4.55

Section 2 New Monthly Sewage Rates That the rates and charges for sewer service furnished by the City are hereby fixed and established on a monthly basis as follows:

- A. Minimum Water Rate The minimum sewage bill shall be \$17.27 per month for customers located within the City limits and \$24.18 per month for customers outside the City limits, and each sewage customer shall be entitled to 2,000 gallons (or less) of water in each month for such minimum charge.
- B. Meter Rates for Water Usage in Addition to Minimum Charge. Subject to the minimum monthly sewage rate specified above, the following metered charges shall be made for each 1,000 gallons or less of water consumption per month to customers of all size water connections:

Within the City Limits

NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 GALLONS
First 2, 000 gallons	\$17.27 minimum monthly charge
Next 1,000 gallons	7.84
Next 2,000 gallons	6.17
Next 5,000 gallons	5.59

Next 10,000 gallons	5.00
Next 20,000 gallons	4.41
All over 40,000 gallons	4.20

Outside the City Limits

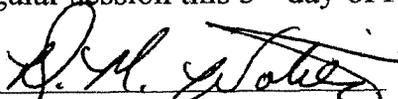
NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 GALLONS
First 2, 000 gallons	\$24.18 minimum monthly charge
Next 1,000 gallons	10.98
Next 2,000 gallons	8.65
Next 5,000 gallons	7.82
Next 10,000 gallons	6.99
Next 20,000 gallons	6.17
All over 40,000 gallons	5.88

Section 3. Severability. That if any clause, provision, paragraph or section of this Ordinance be ruled void or unenforceable by any court of competent jurisdiction, the remainder thereof is intended to be enacted and shall be in full force and effect notwithstanding.

Section 4. All Former Provisions in Conflict Repealed: Effective Date of Ordinance That Ordinance 628, 572 and 536 and all orders, ordinances, motions or parts thereof, insofar as same may be in conflict herewith, are repealed, and this Ordinance shall take effect June 15, 2005, after its passage, approval and publication as provided by law.

Given first reading in Special session this 2<sup>nd</sup> day of May, 2005.

Given second reading and adopted in regular session this 3<sup>rd</sup> day of May, 2005

  
D. M. Wotier, Mayor

ATTEST:

  
Freda C. Prather, City Clerk

## CHAPTER 51: WATERWORKS AND SEWER SYSTEM REGULATIONS

### Section

#### *General Provisions*

- 51.01 Definitions
- 51.02 Applications for water and/or sewer service
- 51.03 Kentucky laws incorporated by reference
- 51.04 Restrictions on amendments to this chapter
- 51.05 Water rates

#### *Connections and Conditions of Service*

- 51.15 Water taps and connections
- 51.16 Purchase and use of water
- 51.17 Abutting owners must connect to sewer lines
- 51.18 Sewer connections required for new buildings
- 51.19 Non-sewer facilities prohibited
- 51.20 Sewer connections; regulations
- 51.21 Storm water drain connections prohibited
- 51.22 Sewer taps to be made only by city
- 51.23 Property owners required to install toilets
- 51.24 Sewer installation costs to be borne by property owners
- 51.25 All septic facilities not connected to sewers are prohibited
- 51.26 Unsanitary deposit of garbage and discharge of sewage or other wastes to non-sewer facilities are prohibited
- 51.27 Inflammable and other improper substances prohibited from being deposited in sewer system
- 51.28 Special usages of sewer system
- 51.29 Special meters for usage not related to water
- 51.30 Unusual sewage discharges
- 51.31 Other special classifications
- 51.32 Ownership of lines and meters
- 51.33 Regulations, prohibitions, and conditions

#### *Water Shortages*

- 51.50 Purpose
- 51.51 Definitions
- 51.52 Water shortage advisory
- 51.53 Water shortage alert
- 51.54 Water shortage emergency
- 51.55 Water rationing
- 51.56 Ongoing condition until officially ended
- 51.57 Publication of declaration; effective date
- 51.58 Violation procedure

## 51.99 Penalty

**GENERAL PROVISIONS****§ 51.01 DEFINITIONS.**

For the purpose of this chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

**CITY.** The City of Owenton, Kentucky, acting by and through its City Council or by and through such other body as shall be the governing body of the city under the laws of Kentucky at any given time.

**SYSTEM.** The waterworks system and sewer system of the city, as now or hereafter constituted.

**MANAGER.** The manager, superintendent, or other person duly employed and authorized by the city to supervise the operation of the system.

**CUSTOMER.** A property owner or his agent who has agreed to purchase water and/or sewer service from the city.  
(Ord. 498, passed 5-24-88)

**§ 51.02 APPLICATIONS FOR WATER AND/OR SEWER SERVICE.**

Each customer must make written application for water and/or sewer service at the city hall, and said application, including service received thereunder, is not assignable by the customer.  
(Ord. 498, passed 5-24-88)

**§ 51.03 KENTUCKY LAWS INCORPORATED BY REFERENCE.**

All applicable Kentucky Statutes which now or may hereafter exist are incorporated herein and made a part of this chapter, and the city may use any powers therein contained, in addition to those herein set out.  
(Ord. 498, passed 5-24-88)

**§ 51.04 RESTRICTIONS ON AMENDMENTS TO THIS CHAPTER.**

This chapter shall not be amended without the permission of the Farmers Home Administration, United States Department of Agriculture (the "FmHA"), so long as the FmHA is the owner or insurer of any bonds issued by the city and payable from the revenues of the system.  
(Ord. 498, passed 5-24-88)

**§ 51.05 WATER RATES.**

The rates and charges for water service furnished by the city are hereby fixed and established on a monthly basis as follows:

(A) **Minimum Water Rate.** The minimum water bill shall be \$11.55 per month for customers located within the city limits and \$15.62 per month for customers outside the city limits, and each water customer shall be entitled to 2,000 gallons (or less) of water in each month for such minimum charge.

(B) **Meter Rates for Water Usage in Addition to Minimum Charge.** Subject to the minimum monthly water rate specified above, the following metered charges shall be made for each 1,000 gallons or less of water consumption per month to customers of all size water connections.

(1) **Within the city limits:**

NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 GALLONS
First 2,000 gallons	\$11.55 (minimum monthly charge)
Next 1,000 gallons	4.31
Next 2,000 gallons	3.57
Next 5,000 gallons	2.89
Next 10,000 gallons	2.36
Next 20,000 gallons	2.13
All over 40,000 gallons	2.11

(2) **Outside the city limits:**

NUMBER OF GALLONS OF WATER PER MONTH	MONTHLY CHARGE PER 1,000 GALLONS
<b><u>RATE A</u></b>	
First 20,000 gallons	\$52.10 (minimum monthly charge)
Over 20,000 gallons	3.13
<b><u>RATE B</u></b>	
First 6,000 gallons	\$27.10 (minimum monthly charge)
Next 2,000 gallons	4.16
Over 8,000 gallons	3.13
<b><u>RATE C</u></b>	
First 2,000 gallons	\$15.62 (minimum monthly charge)
Next 2,000 gallons	5.21
Over 4,000 gallons	3.13

(3) The rate charged for wholesale water customer (Tri-Village) is two dollars and eleven cents (\$2.11) per thousand in addition a surcharge of four cents (\$.04) per thousand gallons shall be charged for three (3) years.

(Ord. 543, passed 11-12-92; Am. Ord. 566, passed 7-12-94; Am. Ord. 615, passed 5-4-99; Am. Ord. 618, passed 8-3-99)

(C) Limited Adjustments.

(1) The Water Department shall have the authority to adjust the rate charged to its wholesale and retail customers by an amount, not to exceed three percent (3%) of the existing base rate, when the expense of producing and transporting potable water is affected by actions or transactions of outside parties.

(2) This authority shall specifically apply to, but not be limited to, charges made by the Kentucky River Authority and changes in utility costs.

(Ord. 585, passed 10-19-95)

(D) Truck loading facility.

(1) The rate charged for the sale of treated water at the truck loading facility owned by the city shall be three dollars and fifty cents (\$3.50) per one thousand (1,000) gallons. This rate adjustment is the result of the increased cost of producing potable water and the increased cost of maintaining the truck loading facility due to abuse and misuse.

(2) This adjusted rate of three dollars fifty cents (\$3.50) per one thousand (1,000) gallons shall be effective as of November 15, 1995.

(Ord. 586, passed 10-19-95)

### ***CONNECTIONS AND CONDITIONS OF SERVICE***

#### **§ 51.15 WATER TAPS AND CONNECTIONS.**

Whenever the city shall determine that it is feasible to provide water service to a customer, the city shall install, maintain, and operate a main distribution pipeline or lines from the system's source of water supply and shall further install and maintain, at the city's expense, the portion(s) of the necessary water service lines as may be needed to bring water from a water main to the lot or easement line of a customer; provided, however, that if the necessary water service line from the water main to the water meter of a customer is usually long, as determined by the Manager, within guidelines fixed by the city, the customer may be required to pay a portion of the cost of the service line. The expense borne by the city in any event shall include the necessary tap, fittings, and shut-off valve, which items shall belong to the city. Each customer shall install and maintain, at his expense, that portion of the service line from said lot or easement to his premises, including a stop and waste cock at the end of the house side of his service, which items shall belong to the customer. The minimum earth cover of the customer's service shall be 30 inches. The Manager shall determine the size and kind of service to be installed.

(Ord. 498, passed 5-24-88)

#### **§ 51.16 PURCHASE AND USE OF WATER.**

(A) Each customer shall be entitled to purchase from the city, pursuant to the agreements as may from time to time be provided and required by the city, the water as the customer may desire,

subject, however, to the provisions of this chapter and to any further rules and regulations as may be prescribed by the city, provided, however, that should a customer sell or dispose of a portion of his property or subdivide the same, he, or the new owner of each new tract, may not demand water and taps without paying connection fees for each tract to be served.

(B) In the event that the total water supply shall be insufficient to meet all of the needs of the customer, or in the event that there is a shortage of water, the city or its Manager may prorate the water available among the various customers, on the basis as is deemed equitable by the city or its Manager, and may require adherence thereto or prohibit the use of water for specified purposes, for the appropriate period of time as may be necessary under the circumstances.

(Ord. 498, passed 5-24-88)

#### **§ 51.17 ABUTTING OWNERS MUST CONNECT TO SEWER LINES.**

(A) All owners, tenants, and occupants of dwellings, houses, apartments, hotels, motels, mobile homes, house trailers, mobile home parks, trailer camps, manufacturing or commercial establishments, or any other building of any kind or nature situated on a lot or lots, within the city limits, through which any sewage collection line has been or is hereafter installed, or which abuts upon any street, alley or easement within the city limits in which there is hereafter installed a sewage collection line, or to which property a sewage collection line is extended, shall within 90 days following the date on which the sewage collection line is placed in operation, connect therewith all sanitary sewage drain pipes of the dwellings, houses, apartments, hotels, motels, mobile homes, house trailers, mobile home parks, trailer camps, manufacturing or commercial establishments or other buildings, with said sanitary sewage collection line, conveying thereby all of the sewage therefrom into said sewer system, the connections to be made in accordance with the rules and regulations as the city may from time to time duly establish; and the failure to make the connection is hereby declared unlawful and to constitute a nuisance.

(B) Each owner, tenant, and occupant of similar property outside the city limits, who is connected to the city water system and receives water service from the city, shall, within 90 days following the date on which the city sends written notice to the party that a city sewage collection line is available to the property, connect the property to the sewage collection line, in accordance with the rules and regulations and the city shall cut off the water supply to any owner, tenant, and/or occupant failing to make the connection.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

***Cross-reference:***

*Nuisances, for abatement procedure see § 92.04*

#### **§ 51.18 SEWER CONNECTION REQUIRED FOR NEW BUILDINGS.**

All architects, contractors, builders, or other persons, before commencing the erection of any building or other improvement capable of emitting liquid wastes or sewage, on any lot or parcel of land abutting on a street, alley or easement in which there may be hereafter installed and maintained any sewage collection line, or on any lot or parcel of land through which there may be hereafter installed a sewage collection line, or to which a sewage collection line is made available, shall before erecting or installing the building or improvement, exhibit to the City Council, or to the official as the City Council

may designate, satisfactory evidence that means has been provided or will be provided for connecting the sanitary sewage drain pipes from the building or other improvement with the sewer collection line. No storm water or other surface or sub-surface water drain shall be connected with any sanitary sewer line hereafter constructed, nor shall any storm water, surface, or sub-surface water be otherwise introduced into any sanitary sewer collection line.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

#### **§ 51.19 NON-SEWER FACILITIES PROHIBITED.**

(A) It shall be unlawful for any person to construct or maintain or permit to be constructed or maintained any outdoor toilet, privy, vault, cesspool, septic tank, or other similar contrivance for the reception of sewage on any lands owned by the person, or under his control, which abut upon a sewage collection line in any public street, alley, or other easement or through which a sewage collection line passes or to which a sewage collection line is hereafter available; all outdoor toilets or privies shall be removed; and all vaults, cesspools, septic tanks, or other similar contrivances for the reception of sewage shall be closed or filled or otherwise removed from the properties described above within 90 days after sewage collection service becomes available.

(B) All privies, surface toilets, or other means of casting or depositing sewage into a container above or below the surface of the ground or upon or into the soil or into any running or percolating stream of water or into any cistern or well whereby the soil or any surface or sub-surface waters is contaminated with sewage are hereby declared to constitute a public nuisance and their use or maintenance for a period of more than 90 days following the availability of a sewage collection line to the property is hereby prohibited.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

***Cross-reference:***

*Nuisances, for abatement procedure see § 92.04*

#### **§ 51.20 SEWER CONNECTIONS; REGULATIONS.**

All sewer connections shall be made under the regulations as the city may establish. Failure to effect a sewer connection is hereby declared to be unlawful and shall constitute a nuisance.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

***Cross-reference:***

*Nuisances, for abatement procedure see § 92.04*

#### **§ 51.21 STORM WATER DRAIN CONNECTIONS PROHIBITED.**

No storm water drain shall be or remain connected or be connected with any separate sanitary sewer heretofore or hereafter constructed as, or made a part of, the sewer system of the city, nor shall any storm water be otherwise introduced into any separate sanitary sewer.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

#### **§ 51.22 SEWER TAPS TO BE MADE ONLY BY CITY.**

No sewer taps (breaking or entering into sewer lines of the city) shall be made by any person,

firm, or corporation except the city. The city will, upon application to the city and payment of any tapping or connection fee, as may be prescribed by the city, tap the city sewer and run a lateral to the property line of any applicant where sewers are available, and any and all installations or attachments thereto shall be made by the applicant under the directions and supervision of the city, provided that nothing herein shall be construed as requiring the city to furnish a sewer connection or sewer services to any premises where a city sewer is not available at the time that the application is made.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

#### **§ 51.23 PROPERTY OWNERS REQUIRED TO INSTALL TOILETS.**

Each owner of house, building or property used for human occupancy, employment, recreation, or other purposes, situated within the city and to which sewer service is made available by the city, is hereby required at his expense to install suitable toilet facilities therein and to connect the facilities directly with the available public sewer in accordance with the requirements of this chapter.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

#### **§ 51.24 SEWER INSTALLATION COST TO BE BORNE BY PROPERTY OWNERS.**

All costs and expense indigent to the installation and connection of a building sewer shall be borne by the owner, who shall indemnify the city from any loss or damage that may directly or indirectly be occasioned by the installation of the building sewer. All connections shall be made under the supervision of the Superintendent of the sewer system or other duly authorized official of the city.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

#### **§ 51.25 ALL SEPTIC FACILITIES NOT CONNECTED TO SEWERS ARE PROHIBITED.**

It shall be unlawful for any person to construct or maintain a privy, well, vault, cesspool, cistern, septic tank, or similar contrivance for the reception of flowable sewage where sewers are available, and all privies, wells, vaults, cesspools, cisterns, septic tanks, facilities, and similar contrivances shall be removed or disconnected by the owners and the occupants of premises to which sewers are made available in the city as soon as the same are made available to the premises. All privies, facilities, and other means of casting or depositing sewage into a container above or below the surface of the ground, or upon or into the soil or into any running or percolating stream of water or into any cistern or well, whereby the soil is contaminated with sewage, are hereby declared to be unlawful and to constitute a nuisance.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

***Cross-reference:***

*Nuisances, for abatement procedure see § 92.04*

#### **§ 51.26 UNSANITARY DEPOSIT OF GARBAGE AND DISCHARGE OF SEWAGE OR OTHER WASTES TO NON-SEWER FACILITIES ARE PROHIBITED.**

It shall be unlawful for any person to place, deposit, or permit to be deposited in any unsanitary manner upon public or private property within the city, any garbage or other objectionable waste, or to discharge to any natural outlet within the city, any sewage, industrial wastes, or other pollutant waters,

except where suitable treatment has been provided under the supervision of the Manager or other duly authorized city official.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

**§ 51.27 INFLAMMABLE AND OTHER IMPROPER SUBSTANCES PROHIBITED FROM BEING DEPOSITED IN SEWER SYSTEM.**

No substances shall be placed or discharged into the municipal sewer system which will create a combustible, gaseous, explosive or inflammable condition in the system, nor shall any substances or objects be placed or discharged into the system which will not dissolve and which will thus cause an obstruction and clogging within the system. No petroleum products shall be placed or discharged into the municipal sewer system.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

**§ 51.28 SPECIAL USAGES OF SEWER SYSTEM.**

In the event that a building or premises, discharging sewage, water, or other wastes into the municipal sewer facilities, uses water supplied on other than a metered basis from either a private or public water supply, then in each case the owner or occupant may be required to cause a water meter or other measuring device to be installed, acceptable to the Manager.

(Ord. 498, passed 5-24-88) Penalty, see § 51.99

**§ 51.29 SPECIAL METERS FOR USAGE NOT RELATED TO WATER.**

In the event any building or premises uses water in excess of 10,000 gallons per month as shown by the water meter readings for two consecutive months, and it can be shown that a substantial portion of the water as so measured does not and cannot enter the municipal sewer facilities, then the Manager may determine, in the manner as may be found practicable, the amount of water entering the sewers, in which event the sewer rate or charge shall be based thereon, or the Manager may require or permit the installation of additional meters or measuring devices to determine the quantity of water or sewage actually entering the municipal sewer facilities, in which case the sewer rate or charge shall be based thereon.

(Ord. 498, passed 5-24-88)

**§ 51.30 UNUSUAL SEWAGE DISCHARGES.**

In the event the sewage, water, or other liquid wastes being discharged into the municipal sewer facilities from any building or premises contains unduly high concentrates of any substances which add to the operating costs of the municipal sewer facilities, then special rates, rentals, or charges may be established, charged, and collected as to the building or premises, or the owner or other interested party may be required to specially treat the sewage, water, or other liquid wastes before it is discharged into the municipal sewer facilities.

(Ord. 498, passed 5-24-88)

**§ 51.31 OTHER SPECIAL CLASSIFICATIONS.**

Whenever it is determined by the Manager to be necessary to classify any commercial institutions or industries by reason of the unusual purpose for which water is used, or by reason of the character of the sewage, water, or other liquid wastes discharged therefrom, or whenever the established schedules of rates and charges for any reason are not applicable, then special rates or other charges may be established by the governing body of the city, and any person, firm, or corporation being dissatisfied with the established schedules of rates and charges be reason of peculiar or unusual use of occupancy of any premises, and consequently alleging peculiar or unusual uses of water, may file application with the governing body of the city or with any other board or body of the city which may be in charge and control of the municipal waterworks and sewer systems, for special classification rates and charges. (Ord. 498, passed 5-24-88)

**§ 51.32 OWNERSHIP OF LINES AND METERS.**

The city shall own all lines, meters, cut off valves and other water and sewer equipment as shall be paid for by the city. (Ord. 498, passed 5-24-88)

**§ 51.33 REGULATIONS, PROHIBITIONS, AND CONDITIONS.**

The following regulations, prohibitions, and conditions shall be deemed to supplement the bond ordinance and the water and sewer rate ordinance adopted by the city in connection with the aforesaid financing:

(A) All taps and connections to the water mains and sewer of the city shall be made by and/or under the direction and supervision of the Manager.

(B) Water service may be discontinued by the Manager for any violation of any rule, regulation, or condition of service and especially for any of the following reasons:

(1) Misrepresentation in the application or contract as to the property or fixtures to be supplied, or as to additional use of water and/or sewer service, or as to unusual or extraordinary use of sewer facilities.

(2) Failure to report to the city additions to the property or fixtures to be supplied, or of additional use of water and/or sewer service.

(3) Resale or giving away of water.

(4) Waste or misuse of water due to improper or imperfect service pipes and/or failure to keep same in suitable state of repair.

(5) Tampering with meter, meter seal, service, or valves, or permitting tampering by others.

**Owenton – Public Works**

(6) Connection, cross-connection, or permitting the same, of any separate water supply to premises which receive water from the city.

(7) Nonpayment of bills.

(C) Any customer desiring to discontinue the water and/or sewer service to his premises for any reason must give notice of discontinuance in writing at the city hall; otherwise, a customer shall remain liable for all water used and water and/or sewer services rendered to the premises by the city unless said notice is received by the city.

(D) Bills and notices relating to the conduct of the business of the city will be mailed to the customer at the address listed on the application unless a change of address has been filed in writing with the city; and the city shall not otherwise be responsible for delivery of any bill or notice nor will the customer be excused from the payment of any bill or any performance required in said notice.

(E) (1) Meters will be read on the fifteenth of each month.

(2) Bills for water and sewer service are due and payable at the city hall, or to any designated agent, on their date of issue. The past due date shall be the fifteenth day after the date of issue. Bills will be dated and mailed on the first day of each month.

(3) All bills not paid on or before the past due date shall be deemed delinquent, and the city may serve a customer a written final notice of said delinquency, and of the fact that the customer is entitled, upon written request, to a hearing on the question of termination of service. If a delinquent bill is not paid within ten days after the date of the final notice, and if no hearing is requested, or if a hearing is requested and timely held, and the customer's delinquency is thereby established, the water supply to the customer may be discontinued without further notice; provided, however, if, prior to discontinuance of service, there is delivered to the city, or to its employee empowered to discontinue service, a written certificate signed by a physician, a registered nurse, or a public health officer that, in the opinion of the certifier, discontinuance of service will aggravate an existing illness or infirmity on the affected premises, service shall not be discontinued until the affected resident can make other living arrangements or until ten days elapse from the time of the city's receipt of said certification, whichever occurs first.

(4) If a deadline date falls on a Sunday or legal holiday, the deadline shall not expire until the next succeeding secular day.

(F) Where the water supply to the customer has been discontinued for non-payment of delinquent bills, a charge as may be specified or revised from time to time in any applicable rate ordinance will be made for reconnection of water service, but the reconnection will not be made until after all delinquent bills and other charges, if any, owed by the customer to the city have been paid.

(G) The Council shall have the right to require that a nominal sum, or any other meter deposit as may be specified or revised from time to time in any applicable rate ordinance, shall be placed on

deposit with the city by a customer for the purpose of establishing or maintaining the customer's credit as assurance for the payment of water by the customer.

(H) All meters shall be installed, renewed, and maintained at the expense of the city, and the city reserves the right to determine the size and type of meter used.

(I) Upon written request of any customer, the meter serving said customer shall be tested by the city. The test will be made without charge to the customer if the meter has not been tested within 60 months preceding the requested test; otherwise, a charge of \$25 will be made and then only if the test indicates meter accuracy within the limits of 2%. If a meter is inaccurate in excess of 2%, adjustments shall be made for the two preceding months prior to test according to the inaccuracy in excess of 2%.

(J) Where a meter has ceased to register, or meter reading cannot be obtained, the quantity of water consumed will be based upon an average of the prior six months' consumption, considering the conditions of water service prevailing during the period in which the meter fails to register.

(K) The city shall make all reasonable efforts to eliminate interruption of service, and, when interruptions occur, will endeavor to re-establish service with the shortest possible delay. When the service is interrupted, all consumers affected by the interruption will be notified in advance whenever possible.

(L) The city shall in no event be held responsible for any claim made against it by reason of the breaking of any mains or service pipes, or by reason of any other interruption of the supply of water caused by the failure or breakage of machinery or stoppage for necessary repairs. No person shall be entitled to damages nor for any portion of a payment refunded for any interruption of service which in the opinion of the city may be deemed necessary.

(M) Customers having boilers and/or pressure vessels receiving a supply of water from the city must have a check valve on the water supply line and a vacuum valve on the steam line to prevent collapse in case the water supply from the city is discontinued or interrupted for any reason, with or without notice.

(N) The premises receiving a supply of water, and all service lines, meters and fixtures, including any fixtures within the premises, shall at all reasonable hours be subject to inspection by any duly authorized employees of the city.

(O) Piping on the premises of a customer must be so installed that connections are conveniently located with respect to the city lines and mains. The customer shall provide a place for metering which is unobstructed and accessible at all times. The customer shall furnish and maintain a cutoff valve on his side of the meter, and the city will furnish a like valve on its side of the meter.

(P) The customer's service lines shall be installed and maintained by the customer at his own expense in a safe and efficient manner and in accordance with the city's rules and regulations and with the regulations of the Department of Health.

**Owenton – Public Works**

(Q) If any loss or damage to the property of the city or any accident or other injury to persons or property is caused by or results from the negligence or wrongful action of the customer, member of his household, his agent or employee, the cost of the necessary repairs or replacements shall be paid by the customer to the city, and any liability otherwise resulting shall be that of the customer.

(R) Water furnished by the city may be used for domestic consumption by the customer, members of the customer's household, and employees only. The customer shall not sell or give the water to any other person.

(S) Each customer shall grant or convey, or shall cause to be granted or conveyed, to the city, a perpetual easement and right-of-way across any property owned or controlled by the customer whenever said easement or right-of-way is necessary for the city water and/or sewer facilities and lines so as to enable the city to furnish service to the customer.

(T) Water for building or construction purposes will be furnished by meter measurement, only after suitable deposit has been made, the minimum deposit being the amount as may be specified from time to time in any applicable rate ordinance; and the amount shall be determined by the city based upon the size of the construction work contemplated; and all water for building or construction purposes, as set forth in the permit, must pass through one and the same meter. Water so supplied shall be discharged through a hose or pipe directly upon the material to be made wet, or into a barrel or other container, and in no case upon the ground or into or through a ditch or trench; and all use of water by any part other than applicant, or use of water for any purpose or upon any premises not so stated or described in the application, must be prevented by the applicant, or water service may be discontinued to the applicant without notice.

(U) Special terms and conditions may be made where water is used by the city or community for public purposes such as fire extinguishment, public parks, and the like.

(V) The city will construct extensions to its water and sewer lines to points within its service area, but the city is not required to make any installation unless the customer pays to the city the entire cost of the installation.

(1) All line extensions shall be evidenced by a contract signed by the city and the person advancing funds for said extension, but each contract shall be null and void unless approved by the Farmers Home Administration and other governing bodies.

(2) If refund of the advance is to be made, the following method shall apply: the refund shall be in an amount equal to 20% of the total gross revenue of water sales per year for each service connected to the new extension prescribed in the agreement, for a period not to exceed five years, provided that the aggregate payments do not exceed the total amount deposited.

(3) No refund shall be made from any revenue received from any lines leading up to or beyond the particular line extension covered by contract.

(4) All decisions in connection with the manner of installation of any extension and

maintenance thereof shall remain in the exclusive control of the city; the extension shall be the property of the city, and no other person shall have any right, title, or interest therein.

(W) The city may refuse service to any person, not presently a customer, when in the opinion of the city the capacity of the facilities will not permit service.

(X) These rules may be changed or amended.

(Y) Complaints may be made to the Manager of the system, whose decision may be appealed to the governing body of the city within ten days; otherwise, the Manager's decision will be final. (Ord. 498, passed 5-24-88) Penalty, see § 51.99

### ***WATER SHORTAGES***

#### **§ 51.50 PURPOSE.**

The purpose of this subchapter is to provide for the declaration of water supply shortage situations and the implementation of voluntary and mandatory water conservation measures throughout the city, and its water customers, in the event a water shortage is declared. Nothing in this subchapter shall be construed to interfere with common law riparian or statutory water rights. (Ord. 492, passed 4-6-88)

#### **§ 51.51 DEFINITIONS.**

For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

***CUSTOMER.*** Any person, group of persons, corporation, association, partnership or other entity or organization purchasing or using water for any purpose.

***WATER.*** Any water which has been treated by the City Water Treatment Plant or which has passed through any portion of the city water distribution system. (Ord. 492, passed 4-6-88)

#### **§ 51.52 WATER SHORTAGE ADVISORY.**

Whenever the City Council finds that a potential shortage of water is indicated, it shall be empowered to declare by resolution that a water shortage advisory exists, and the water supply and the demand on that supply shall be monitored on a daily basis. In addition, the Mayor or his designated agent is authorized to call upon all water customers to employ voluntary water conservation measures to limit water use and eliminate the waste of water. Any resolution adopted pursuant to this section shall be published in the Owen County News Herald and may be publicized through any other appropriate method for making the resolution known to the public. (Ord. 492, passed 4-6-88)

**§ 51.53 WATER SHORTAGE ALERT.**

Whenever the City Council finds raw water supplies to be consistently below seasonal averages indicating that the water supply may be inadequate to meet normal needs, the City Council shall be empowered to declare by resolution that a water shortage alert exists. The city shall continue to encourage voluntary water conservation measures as may be set forth in the resolution and it shall further impose a ban on the following water uses for the duration of the shortage:

- (A) Any use of water for ornamental purposes, including, but not limited to, fountains, reflecting pools and artificial water falls.
- (B) Watering of public or private gardens, lawns, flowers, shrubs or trees.
- (C) Watering of parks, golf courses (except greens), playing fields or other recreational areas.
- (D) The filling and/or operation of swimming pools except pools used by health care facilities for patient care or rehabilitation or other pools specifically designated as exempt by resolution.
- (E) Washing of motor vehicles including, but not limited to, automobiles, trucks, boats and trailers. Commercial car and truck washes shall be exempt from this restriction during a water shortage alert.
- (F) Serving water in restaurants, clubs or other eating places, except upon a specific request by a customer.

(Ord. 492, passed 4-6-88) Penalty, see § 51.99

**§ 51.54 WATER SHORTAGE EMERGENCY.**

Whenever the City Council determines that raw water supplies are below the level necessary to meet the normal needs of the population and that serious shortages exist, it shall be empowered to declare by resolution that a water shortage emergency exists. In the event that a water shortage emergency is declared, all water uses set forth in § 51.53 shall continue to be prohibited and in addition, the following water uses shall be prohibited:

- (A) All domestic uses of water shall be prohibited except water necessary to sustain human life and lives of domestic pets and to maintain minimum standards of hygiene and sanitation.
- (B) The use of water for any swimming pool.
- (C) The washing of any motor vehicle, including commercial car and truck washes.
- (D) The use of water in any automated clothes washing or dish washing device, including commercial laundromats.
- (E) The watering of golf courses, including golf course greens.

(Ord. 492, passed 4-6-88) Penalty, see § 51.99

**§ 51.55 WATER RATIONING.**

Whenever the City Council finds a need to provide for the equitable distribution of a critically limited water supply, and in order to assure that limited water supplies are used to preserve public health and safety, it shall be empowered to declare by resolution the adoption of mandatory water rationing. The water rationing shall be under terms and conditions which are appropriate under the circumstances and shall be set forth specifically in any resolution declaring the rationing of water.

(Ord. 492, passed 4-6-88)

**§ 51.56 ONGOING CONDITION UNTIL OFFICIALLY ENDED.**

Any declaration of a water shortage advisory, water shortage alert, water shortage emergency or water rationing shall be considered as ongoing until the condition so declared has been officially ended by a resolution of the City Council.

(Ord. 492, passed 4-6-88)

**§ 51.57 PUBLICATION OF DECLARATION; EFFECTIVE DATE.**

Any declaration made pursuant to this subchapter shall be published in the Owen County News Herald and through any other appropriate method for making the resolutions public. Any declaration made pursuant to this subchapter shall be effective immediately upon passage, however, no criminal penalty shall be imposed upon any person for violating the terms of any declaration hereunder until the resolution authorizing the declaration has been published.

(Ord. 492, passed 4-6-88)

**§ 51.58 VIOLATION PROCEDURE.**

(A) Any person who violates the provisions of this subchapter or who fails to carry out the duties and responsibilities imposed by this subchapter or who impedes or interferes with any action undertaken or ordered pursuant to this subchapter shall be subject to the following penalties:

(B) A written notice of any violation shall be affixed to the property where the violation occurred. In addition, a copy of the notice may be mailed to the person responsible for the violation. The notice shall describe the violation and shall order that it be corrected or abated immediately or within the specified time as set forth in the notice. If the violation is not abated or corrected immediately or within the time specified, the city may terminate water service to the property or to the violator upon the following procedures:

(1) The city shall notify the customer by mail that due to the violation water services will be discontinued within a specified time and that the violator will have the opportunity to appeal the termination by requesting a hearing before the City Council.

(2) If a hearing is requested by the customer charged with the violation, he or she shall be given full opportunity to be heard.

(3) The City Council shall make findings of fact and shall enter an order determining whether service should continue or be terminated.  
(Ord. 492, passed 4-6-88)

**§ 51.99 PENALTY.**

(A) Whoever violates any provision of §§ 51.01 through 51.33 shall be fined not more than \$500 for each offense. Each day's continued violation shall constitute a separate offense.

(B) In addition to or in lieu of the termination of water service, any customer found to be in violation of §§ 51.50 through 51.58 may be prosecuted in the appropriate court of law. Any person so charged and found guilty in the appropriate court of law of violating the provisions of §§ 51.50 through 51.58 shall be subject to a fine of not less than \$100 and not more than \$500 or confinement in the county jail for a period to be fixed by the court not to exceed 30 days, or both fine and confinement.  
(Ord. 492, passed 4-6-88)

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

2. Provide a comparison of Owenton's current rates with those charged to KAWC customers within KAWC's Northern Division.

Response:

See Item 2 Attachment.

**Owenton Water  
Comparison of rates  
PSC DR 1 Item 2**

	Bulk rate 6000 gal min		Outside City Owenton*		KAW Northern Iri Village		KAW Northern Elk Lake		KAW Central Lexington	
	Inside City Owenton	Outside City Owenton*	Outside City Owenton (Rate G)	Outside City Owenton (Rate B)	KAW Northern Iri Village	KAW Northern Elk Lake	KAW Northern Elk Lake	KAW Northern Elk Lake	KAW Central Lexington	KAW Central Lexington
Residential - usage 5,075 gallons	33.71	39.35	42.69	39.35	38.53	27.48	27.48	20.29	20.29	20.29
Commercial - usage 10,000 gallons	54.39	60.53	65.10	60.53	68.68	35.85	35.85	86.16	86.16	86.16
Industrial - usage 100,000 gallons	334.19	470.03	474.60	470.03	587.68	188.85	188.85	382.60	382.60	382.60

\*This is a bulk rate with a 6,000 minimum that was historically issued to farmers. There are a very few customers on this rate now.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

3. Provide all rate studies that were used to prepare Owenton's current rates.

Response:

No rate study has been performed as part of this filing. An income statement and rate base schedule were prepared by KAWC and used as the basis for negotiations with Owenton. The water and sewer schedules are attached as Item 3 Attachment. A summary of various rate adjustment scenarios was prepared to facilitate negotiations. This schedule is also included in Item 3 Attachment.

**OWENTON SEWER  
RATE OF RETURN STATEMENT  
PROJECT YEAR ENDED DECEMBER 31, 2004  
RATE BASE AND COMMON EQUITY**

Line No.	Description	(1)	(2)	(3)	(4)	(5)
		Total District Water	Adjustments	Adjusted	Rate Increase	Pro Forma
1	OPERATING REVENUES					
2	RESIDENTIAL	\$182,662		\$182,662	\$ 55,078	\$237,760
3	COMMERCIAL	62,367		62,367		62,367
4	SALE FOR RESALE	0		0		0
5	OTHER OPERATING REVENUES	0		0		0
6	TOTAL OPERATING REVENUES	245,050	0	245,050	55,078	300,128
						22.48%
7	OPERATING REVENUE DEDUCTIONS					
8	OPERATIONS AND MAINTENANCE EXPENSES	189,224	(18,507)	140,717	279	140,996
9	DEPRECIATION & AMORTIZATION	33,929		33,929		33,929
10	STATE INCOME TAX	(571)	1,709	1,138	4,513	5,651
11	FEDERAL INCOME TAXES	(2,221)	6,650	4,429	17,568	21,997
12	TAXES OTHER THAN INCOME TAXES (Use Fee \$20,178 representing Prop Taxes)	24,515		24,515	92	24,607
13	TOTAL OPERATING REVENUE DEDUCTIONS	214,876	(10,148)	204,727	22,452	227,179
14	OPERATING INCOME	30,174	10,148	40,322	32,626	72,948
15	PLUS: AFUDC	-	-	0	0	0
16	LESS: CHARITABLE CONTRIBUTIONS	-	-	0	0	0
17	INTEREST ON CUSTOMER DEPOSITS	-	-	0	0	0
18	INTEREST ON SUPPLIER REFUNDS	-	-	0	0	0
19	OTHER INTEREST EXPENSE/(INCOME)	0	0	0	0	0
20	ADJUSTED OPERATING INCOME	30,174	10,148	40,322	32,626	72,948
21	PLUS: OTHER INCOME/(EXPENSE)					
22	LESS: INTEREST EXPENSE	33,275	(2,119)	31,156	0	31,156
23	PREFERRED DIVIDENDS	2,869	(239)	2,730	0	2,730
24	BANK DEBT	1,024	(83)	941	0	941
25	INCOME AVAILABLE FOR COMMON EQUITY	(7,094)	12,589	5,495	32,626	38,121
26	TOTAL RATE BASE	1,023,860		941,263		941,263
32	COMMON EQUITY CAPITAL	421,066	(40,589)	380,477	0	380,477
33	% RATE OF RETURN EARNED ON RATE BASE	2.95%		4.28%		7.75%
34	% RATE OF RETURN EARNED ON COMMON EQUITY	-1.68%		1.44%		10.02%

**OWEN TON WATER**  
**RATE OF RETURN STATEMENT**  
**PROJECT YEAR ENDED DECEMBER 31, 2004**  
**RATE BASE AND COMMON EQUITY**

Line No.	Description	(1) Total District Water	(2) Adjustments	(3) Adjusted	(4) Rate Increase	(5) Pro Forma
1	OPERATING REVENUES					
2	RESIDENTIAL	\$325,509		\$325,509	146,351	\$471,860
3	COMMERCIAL	47,976		47,976		47,976
4	SALE FOR RESALE	287,641		287,641		287,641
5	OTHER OPERATING REVENUES	38,873		38,873		38,873
6	TOTAL OPERATING REVENUES	700,001	0	700,001	146,351	846,352
						20.91%
7	OPERATING REVENUE DEDUCTIONS					
8	OPERATIONS AND MAINTENANCE EXPENSES	568,623	(99,422)	469,201	742	489,943
9	DEPRECIATION & AMORTIZATION	69,871	0	69,871		69,871
10	STATE INCOME TAX	(3,954)	4,237	283	11,982	12,275
11	FEDERAL INCOME TAXES	(15,391)	16,491	1,100	46,690	47,790
12	TAXES OTHER THAN INCOME TAXES (Use Fee \$30,608 representing Prop Taxes)	47,784	20,000	67,784	244	68,028
13	TOTAL OPERATING REVENUE DEDUCTIONS	665,933	(59,694)	628,239	59,658	687,897
14	OPERATING INCOME	13,068	56,694	71,762	86,693	158,455
15	PLUS: AFUDC			0	0	0
16	LESS: CHARITABLE CONTRIBUTIONS			0	0	0
17	INTEREST ON CUSTOMER DEPOSITS			0	0	0
18	INTEREST ON SUPPLIER REFUNDS			0	0	0
19	OTHER INTEREST EXPENSE/(INCOME)			0	0	0
20	ADJUSTED OPERATING INCOME	13,068	56,694	71,762	86,693	158,455
21	PLUS: OTHER INCOME/(EXPENSE)			0	0	0
22	LESS: INTEREST EXPENSE	40,428	27,247	67,675		67,675
23	PREFERRED DIVIDENDS	3,542	2,387	5,929		5,929
24	JDC CAPITAL EXPENSE	1,222	823	2,045		2,045
25	BANK DEBT	(32,124)	28,237	(3,887)		92,806
26	INCOME AVAILABLE FOR COMMON EQUITY	1,632,951	411,590	2,044,571	0	2,044,571
30	TOTAL RATE BASE			826,456		826,456
32	COMMON EQUITY CAPITAL			0		0
33	% RATE OF RETURN EARNED ON RATE BASE	0.60%		3.51%		7.75%
34	% RATE OF RETURN EARNED ON COMMON EQUITY	-4.76%		-0.47%		10.02%

Owenton

	Before Reduction	Reduction in Purchase Price				
		100,000	200,000	300,000	400,000	500,000
Sewer Rate Increase	31.7%	29.6%	27.5%	25.4%	23.3%	21.1%
Water Rate Increase	20.1%	21.2%	22.3%	23.4%	24.6%	25.7%
Capex	415,000					
Capex Reduction	100,000	20.3%	21.4%	22.6%	23.7%	24.8%
	200,000	19.4%	20.5%	21.7%	22.8%	23.9%
	300,000	18.5%	19.7%	20.8%	21.9%	23.0%
	400,000	17.6%	18.8%	19.9%	21.0%	22.2%
	415,000	17.5%	18.6%	19.8%	20.9%	22.0%

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

4. Provide the ordinance that Owenton's legislative body enacted to approve Owenton's current rates.

Response:

See Item 1 Attachment, pp. 1 – 3.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

5. Provide all studies that either of the Joint Applicants has prepared or commissioned regarding the effect on Owenton's current customers or KAWC if KAWC's current rates are assessed to Owenton's current customers once the transfer occurs.

Response:

The rate study provided in response to Commission Staff's Data Request #3 was used as a basis for discussions with Owenton. It is the intent of KAWC that the rates assessed to Owenton's customers be sufficient to support the necessary operating costs and initial investment required between Closing and the next KAWC general rate filing. Therefore, a rate study using KAWC's current rates was not prepared.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

6. Provide all correspondence between the Joint Applicants regarding the rate that KAWC would assess Owenton's current customers if the proposed transfer is approved.

Response:

Attached as Item 6 Attachment is correspondence between KAW and Owenton pertaining to rates and the determination thereof. Both Owenton and KAW have agreed that as a condition precedent to this arrangement (Paragraph 16 of the Asset Purchase Agreement), KAWC will adopt the rates and charges being applied by Owenton at the time of closing. The Joint Application specifically indicates . . . the rates of Owenton's customers will remain the same as they are on the Closing Date until KAWC's next general rate filing.



Daniel P. Bickerton  
Business Development Manager

Mr. Mark Duvall  
Chairman  
Owenton Water Board  
102 North Main Street  
Owenton, KY 40359

March 24, 2005

Dear Chairman Duvall:

Attached you will find my attempt at forecasting the cash proceeds (\$1,142,448) available to the City of Owenton based on a May 31, 2005 closing. This projection is based on the most recently available information which is referenced in the schedule. At the last meeting of the Owenton Water Board, a discussion focused on various ways to reduce the proposed water and sewer rate adjustments which were 20.1% and 31.7% respectively. Based on this discussion, I offer the following for the Board's consideration.

- For each \$100,000 decrease in the purchase price of the sewer assets, the resulting rate adjustment would decrease 2.1%.
- For each \$100,000 decrease in the purchase price of the water assets, the resulting rate adjustment would decrease 1.1%.
- For each \$100,000 decrease in capital investment in water infrastructure in Owenton by Kentucky American Water, the resulting rate adjustment would decrease 0.9%

One possible scenario includes a reduction in the expected cash proceeds of \$200,000. The most beneficial means of achieving this reduction would be to reduce the purchase price of the sewer assets \$200,000 which would result in a sewer increase of only 27.5%. In addition, if we agreed to reduce the purchase price of the sewer assets another \$200,000 while increasing the purchase price of the water assets an equivalent \$200,000, the resulting increases would be 23.2% for sewer and 22.3% for water.

I can certainly recalculate any scenario that you or the Water Board would like. Please let me know and I will provide the results within the day.

I hope this helps us move forward. If you have questions, please feel free to contact me any time.

Sincerely,

A handwritten signature in black ink that reads "Daniel P. Bickerton".  
Daniel P. Bickerton

Kentucky American Water  
2300 Richmond Road  
Lexington, KY 40502

TF 866-583-2247  
T 304-523-0782  
F 304-529-1553  
E dbickert@amwater.com  
I www.amwater.com

Page 2

enclosure

cc: Mayor Wotier  
Mr. Rowe  
Ms. Routt





Jan Routt  
04/27/2005 05:00 PM

To: "Duvall, Marc (KRS)" <marc.duvall@kyret.com>@AWX  
cc: Rick Buchanan/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, camdudv@win.net  
Subject: RE: Owenton

See my answers below..  
Jan C. Routt  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jroutt@kawc.com

"Duvall, Marc (KRS)" <marc.duvall@kyret.com>



"Duvall, Marc (KRS)"  
<marc.duvall@kyret.co  
m>  
04/27/2005 04:31 PM

To: <JRoutt@kawc.com>  
cc: <milkweed@bellsouth.net>  
Subject: RE: Owenton

Thanks Jan,

I've not heard from the Mayor yet, Marshall may know something I don't but I will contact Milkweed tonight when I get home. We need this meeting to review draft agreement Thursday or Friday. I will e-mail you as soon as I know something.

sounds great

Yes this answers my questions about the Hydrants. Franchise question as well.

There was no mention of the use of Intake at river, but you explained that that was in a separate contract a couple of years ago. Advised Milkweed and he said Freda has a copy. Will this still apply, we will review this at same meeting.

The same (previous, separate intake) agreement should still apply-- Note the (intake) agreement was attached to the KIA loan application.

Note that section 17(J) of the Asset Purchase Agreement currently in revision has wording (also in the prior agreement) requiring Owenton to escrow from the purchase price the amount of the grants (\$487,160), released only as grant funds are used to construct the intake, or (this money is to be) used to construct the intake when (if) grant funds are not available.

I was planning on attending the KIA meeting Thursday with Milkweed and maybe Marshall. Milkweed was going to advise me of the time and place. Great..I think this will be 1:30 at KIA office.. I have to verify where that is myself.

I will not be available for the Monday meeting May 2 at probably DOW you spoke about.

Sorry to hear this...is there any other time you could be available on Mon p.m. or on Wed.? even via conference call?

Do you know if Scott Taylor has responded to Mr. Clements??  
As of this morning he had not, and Scott was out of town, not to be back till after midnight--no promise from him to do this tomorrow...

As I have read your e-mail the intake cannot be moved and that was Mr. Clements question.

Yes, that was his question, and answer is that there is not room to move it. Someone just needs to tell him this and move on..

*Really* need to get Mr Clements to sign an option to purchase and allow easements, or to understand that Owenton will need to proceed with condemnation proceedings, to be able to fill in that Limited Clear Site Certificate... This is a must-have for the funding. These are things KIA requires and would seem reasonable to be done by now in that we set out on these (most assigned to Scott T. ) just after the Feb 23 meeting at DOW.... hmmm

I will try to e-mail you from home tonight if I can pin the Mayor down on a firm meeting date and time for counsel to discussed these issues.

Thank you

PS FYI-- I am copying Rick Buchanan, from KAW (and his supervisor Dillard Griffin), because Rick is in process of transition into oversight of the Owenton integration into KAW operations...He has already been up to meet the Owenton operations folks, and hopefully you can meet Rick soon as well.

-----Original Message-----

From: JRoutt@kawc.com [mailto:JRoutt@kawc.com]  
Sent: Wednesday, April 27, 2005 3:56 PM  
To: marccamduv@win.net; Duvall, Marc (KRS)  
Cc: milkweed@bellsouth.net; rbuchana@kawc.com; fwhite@kawc.com;  
dgriffin@kawc.com; DBickerton@wvawater.com  
Subject: Owenton

Hello Marc,

I understand from Marshall today that the Council members have the draft Agreement in hand.. and that a Coucil meeting will occur Friday to discuss..and that you will call me after that.

For that meeting, here is an example of some draft proposed wording that could be added to the Agreement regarding the fire hydrants. Please let me know if this addresses concerns.

\_\_\_\_\_ Fire Hydrants. At closing, Buyer assumes ownership and responsibility for the fire hydrants previously owned and maintained by the Seller. Buyer agrees there will be no fees to the Seller for the use of these fire hydrants for fire fighting or other emergency response purposes.

Regarding your question on the the 20-yr. non-exclusive franchise granted by the City to KAW under, Item 17(I), this wording was in the original agreement and by granting franchise the City merely gives KAW the legal authority to work in the City--using City streets,etc.--to take care of water and sewer business. And, this specifies that there will be no fee to KAW by the City for this franchise.

I recall there were also questions regarding the new intake. Could you please drop me a line describing those questions further as I am still unclear on those?

Hope this helps. Feel free to call me any time if you have questions or other concerns.

Thanks Jan

Jan C. Routt  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jroutt@kawc.com



Jan Routt  
03/31/2005 07:31 AM

To: Dan Bickerton/WVAWC/AWWSC@AWW, marc.duvall@kyret.com  
cc: Richard C Svindland/KAWC/AWWSC@AWW  
Subject: Fw: Owenton

Marc, this summary from the Board is hereby forwarded to Dan Bickerton for his review.

Dan and I did talk preliminarily yesterday and recognize that the percent increases the Board is desiring are not offset by the reductions in proceeds.

We are working further to see how this might be reconciled. We recognize that capital must be spent on the system (primarily the water plant) to maintain compliance immediately ( in next two years). So, we cannot in good conscience postpone that for three years to achieve the lower rates you've suggested needs. And, the answers to the four questions you pose could also be affected if there had to be and substantial offset in operations costs to cover this.. I really don't think either of us wants that. We will be getting back with you on this.

Other matters:

I hope to get you a draft easement/option example this afternoon and I will let you know how our meeting with Mr. Dukes at the plant site goes this morning.

Regarding the KIA meeting, I would suggest you or the Mayor try to contact Ms Marlin about this as I am having trouble getting a call back on this from her at this time.

Feel free to call me on cell phone as needed.

Jan

Regarding the anJan C. Routt  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jroutt@kawc.com

— Forwarded by Jan Routt/KAWC/AWWSC on 03/31/2005 07:20 AM —



"Duvall, Marc (KRS)"  
<marc.duvall@kyret.com>  
m>

To: <JRoutt@kawc.com>  
cc:  
Subject: RE: Owenton

03/30/2005 01:52 PM

Jan,

The general consensus was to go with the last scenario referenced on Dan's letter to me dated 3/24/2005. The rate increase still being our biggest concern. We would like to work this down to 19.5 / 19.8 something less than 20 plus percent. With proceeds to the city of around \$900,000 . With that said We will be taking this information to the City Council meeting next week.

Some other questions that came up where..

- 1)Who would own the fire hydrants, and if Ky American owns would there be a user or maintenance fee?
- 2)Water line replacement, will there be a written schedule that reflect 3-5 yr. plan.

3)Would all the terms and conditions around our staff/employees be the same as before?

4)Jan, I'd like to know what level of involvement would Ky American or what is the norm.

Jan I'm sure we will have other questions but this is what was discussed last night. I have set up a web site at home I will e-mail you tonight with that address.

Thank You  
Marc

-----Original Message-----

From: JRoutt@kawc.com [mailto:JRoutt@kawc.com]  
Sent: Wednesday, March 30, 2005 11:51 AM  
To: Duvall, Marc (KRS)  
Subject: RE: Owenton

Thanks Marc, That is very good to hear.

If you have anything in the next few hours, we can take that into consideration as we have our meeting at 3:00 this afternoon.

So it will be good if you can give me a quick call on cell phone when you send something. just in case I am away from my email.

Thanks Jan

Jan C. Routt  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jroutt@kawc.com

"Duvall, Marc  
\  
(KRS)\>  
<JRoutt@kawc.com>  
<marc.duvall@kyre  
t.com>  
To:  
cc:  
Subject: RE: Owenton

03/30/2005 11:30  
AM

Jan,  
It went real well, everyone was there that needed to be.. I will e-mail  
you a little later to up date.  
Marc

-----Original Message-----

From: JRoutt@kawc.com [mailto:JRoutt@kawc.com]  
Sent: Wednesday, March 30, 2005 11:21 AM  
To: Duvall, Marc (KRS)  
Subject: RE: Owenton

Hello Marc, I hope your day is going well.

I am wondering how the meeting went last evening.

Please give me a call if you have a chance--

Best regards Jan

Jan C. Routt  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jroutt@kawc.com



Jan Rount  
03/31/2005 01:53 PM

To: Dan Bickerton/WVAWC/AWWSC@AWW  
cc:  
Subject: Fw: Owenton—talked to Marc briefly after this email

Dan, I did talk with Marc briefly to get his response on this email and to verify when the City Council is to meet.

He said he understood and was not surprized at my statement that the proceeds reductions do not (sufficiently) support the lower rates.

He said basically that they understood and, his words., "we are going to make this work."

The City Council is to meet on Tuesay without the Mayor —adjourning to reconviene when he returns... as currently planned.. I told him we would try to get something more to him but to please call if he has quesitons in the mean time.

Thought you'd like to know.

Jan  
Jan C. Rount  
Kentucky American Water  
2300 Richmond Road  
Lexington, Ky 40502  
(O) 1-859.335.3662  
(C) 1- 859.537.0742  
(F) 1- 859.268-6374  
E jrount@kawc.com

— Forwarded by Jan Rount/KAWC/AWWSC on 03/31/2005 01:50 PM —



Jan Rount  
03/31/2005 07:31 AM

To: Dan Bickerton/WVAWC/AWWSC@AWW, marc.duvall@kyret.com  
cc: Richard C Svindland/KAWC/AWWSC@AWW  
Subject: Fw: Owenton

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**City of Owenton**  
**Sewer Department (No KAW)**  
**Rate Increase Estimate**  
**March 7, 2005**

	<u>Amount</u>
<b>1 Operation &amp; Maintenance Adjustments:</b>	
2 Engineering/Environmental Compliance Expertise	\$15,000
3 Smoke Testing (\$13 x 8 hrs x 100 days + OH)	\$13,000
4 Manhole Inspection Program (\$13 x 2 hrs x 200 days + OH)	\$6,500
5 CCTV (\$1 / foot)	\$10,560
6 Pre-Treatment Inspection (Grease traps, indust)	\$2,600
7 (\$13/hr x 4 hrs x 40 days + OHs)	
8 Clean Lagoon/Drying Bed	\$2,814
9 Wage & Benefits Increase 3%	\$552
10 Health Insurance Increase 6%	<u>\$4,974</u>
11 1 Year Inflation Adjustment 2.5%	<u>\$56,000</u>
12 Sub-Total	
<b>13 Capital Adjustments:</b>	
14 Vehicle/Backhoe/Vac Replacement Program	\$36,000
15 Collection System Rehabilitation	\$150,000
16 Manhole Rehabilitation	\$48,000
17 Comprehensive Planning Study	\$100,000
18 Plant Security	<u>\$12,000</u>
19 Sub-Total	\$246,000
20 Borrow 5 Years @ 5%	\$79,917
21 Reserve Requirement	<u>\$7,992</u>
22 Total Rate Adjustments	<u>\$87,909</u>
<b>20 INCREASED ANNUAL COST</b>	<b>\$143,909</b>
<b>21 REVENUE @ 12/31/04</b>	<b>245,050</b>
<b>22 PERCENTAGE INCREASE</b>	<u><b>58.73%</b></u>

**City of Owenton**  
**Water Department (No KAW)**  
**Rate Increase Estimate**  
**March 7, 2005**

	<u>Amount</u>
<b>1 Operation &amp; Maintenance Adjustments:</b>	
2 Water Quality/Engineering Expertise	\$30,000
3 Valve Operating Program (\$13 x 2 hrs x 240 days+OH)	\$7,800
4 Wage & Benefits Increase 3%	\$9,822
5 Health Insurance Increase 6%	\$2,164
6 1 Year Inflation Adjustment 2.5%	<u>\$19,056</u>
Sub-Total	<u>\$68,842</u>
<b>7 Capital Adjustments:</b>	
8 Short-Term	
9 Meter Change-out Program (1098/15 x \$75 x 5 yrs)	\$27,450
10 Vehicle/Backhoe Replacement Program	\$36,000
11 Main & Hydrant Replacement Program	\$330,000
12 Comprehensive Planning Study	<u>\$75,000</u>
13 Sub-Total	\$468,450
14 Borrow 5 Years @ 5%	\$108,200
15 Reserve Requirement	\$10,820
16 Long-Term	
17 Intake Debt Service & Reserve	\$15,840
18 Shoring & Safety Equipment	\$24,000
19 Upgrade WTP	\$600,000
20 Intake, Plant & Tank Security	\$36,000
21 SCADA/Tank Telemetry	\$100,000
22 Tank Rehabilitation & Painting	\$300,000
23 Chemical Feed Enhancements	<u>\$180,000</u>
24 Sub-Total	\$1,240,000
25 Borrow 20 Years @ 5%	\$99,501
26 Reserve Requirement	<u>\$9,950</u>
27 Total Rate Adjustments	<u>\$244,311</u>
28 INCREASED ANNUAL COST	\$313,153
29 REVENUE @ 12/31/04	700,001
30 PERCENTAGE INCREASE	<u>44.74%</u>

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

7. State the effect on the Joint Applicants' "Asset Purchase Agreement" if the Commission determines that KAWC's current rates are the appropriate rates to charge Owenton's current customers once the transfer occurs.

Response:

Owenton and KAW have agreed that Owenton's customers shall be charged the rates and charges in effect by Owenton at the time of closing. Those rates are set out in the response to Item 1. For a reasonable amount of monthly consumption for a residential customer in KAW's Central Division (5075 gallons), a current Owenton city customer would pay \$33.71 per month which is less than a Tri-Village customer and slightly more than an Elk Lake customer. See the answer to Item 2.

Imposition of KAW's existing rates for Owenton's customers would make one of the conditions precedent unobtainable – "The PSC shall have entered a final order, if necessary (from which no appeal is taken), which approves the Joint Application to be filed by Buyer and Seller including ...(iii) a request for the use of the Seller's existing rates to its customers...." KAW will not close the transaction unless and until all of the conditions precedent in Paragraph 17 of the Asset Purchase Agreement attached to the Application as Exhibit 1 are met.

The economics of the proposed transaction are premised upon KAW using the existing rates of Owenton until its next general rate case when it intends to seek a unified rate structure for all of its customers. See Order dated February 28, 2005, page 76, Case No. 2004-00103.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

8. Explain how the assessment of different rates for the former customers of Owenton and Tri-Village Water District is consistent with KAWC's presumed role of a "regional water supplier."

Response:

The issues of rates and tariff design are not the primary factors in determining a regional water supplier. Some of the factors that place KAW as a regional water provider are: ability to raise capital for necessary system improvements; economies of scale based on customer base; water service expertise (in areas such as water quality, management, billing & customer service, production, distribution, engineering, etc.); ability to expand service to other communities who do not possess the necessary levels of expertise, capital and management to remain viable; and the ability to call on American Water for national contracts and other expertise as required.

The Company stated in its 2004 rate case its desire to move to a single tariff in its next rate filing. The Company believes a single tariff for all of its current divisions and future acquisitions will enhance its ability to expand service to unserved or underserved areas in the future. It is the provision of uniform service to all customers (no matter which division) that supports the single tariff concept, and the Company is currently collecting the data required to prepare a cost of service study for its next rate case to support the single tariff concept.

The Company did not have the necessary cost of service to propose a single tariff in its 2004 rate case, however, the Commission did appear to move in that direction in the 2004 rate case by freezing the rates in the Northern Division.

The Company is not in a position to accept the Central Division tariffs for Owenton at this time. The Owenton tariffs adopted by the Company will support the Company's investment and expected expenses until the issue of single tariff is addressed in the next general rate increase.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

9. Explain why the assessment of different rates and the application of different rules and conditions of service to KAWC customers who live in areas currently or previously served by Owenton or Tri-Village Water District would not constitute an unreasonable difference between localities.

Response:

The adoption of the existing rates and rules of Owenton would not constitute an unreasonable difference between localities. The rates and rules of Owenton have been established by the City Council and have been determined by the Council to meet the cost of providing the water and wastewater service. Owenton is facing significant water quality and operational issues, including significant capital improvements to maintain or improve service and water quality at acceptable levels. The city has determined that the Company is best able to meet the service obligation in Owenton and possesses the expertise and capital to address the various service issues.

The Company in its application has indicated in its petition for the purchase of the Owenton water and wastewater systems that on the short-term basis it will adopt the current rates approved by the Owenton City Council, until the issue of a single tariff can be addressed through a proper cost of service study to be filed with the Company's next general rate case.

CITY OF OWENTON AND KENTUCKY-AMERICAN WATER COMPANY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2005-00206  
COMMISSION STAFF'S DATA REQUEST  
Items 1 – 10

Witness Responsible:  
Michael A. Miller

10. Describe the source of KAWC's funds for the state purchase price.

Response:

KAWC will use their available line of credit to finance the purchase until the permanent debt is obtained in the Company's next long-term debt financing.